

Notes to the Accounts

1 Company's profit and loss account

The Company has taken advantage of the exemption contained in the Companies Act 1985 from presenting its own profit and loss account. The loss for the year of the Company amounted to £361m (1999 – profit of £219m).

2 Historical cost profits and losses

There is no difference between the Group results as reported and on a historical cost basis. Accordingly no additional note of historical cost profits and losses has been prepared.

3 Turnover

The Group's operations are all considered to fall into one class of business, namely telecommunications. The categories of turnover within this class of business have been revised (compared with the categories described last year) to reflect the Group's focus on business customers and in particular the rapidly expanding market for data and IP based services. Group turnover can be analysed as follows:

	2000 £m	1999 £m
Business – IP	561	289
– Data	1,526	1,143
– Voice	4,073	3,943
Consumer	2,781	2,113
Other	260	456
Group turnover	9,201	7,944
Share of turnover of associates and joint ventures (note 16)	467	1,176
Turnover of the Group including its share of associates and joint ventures	9,668	9,120

Business – IP

Revenue accruing to the Group from internet related services to business and wholesale customers. This includes both dedicated and dial-up access services and also value added services, such as web-hosting and security services.

Business – Data

Revenue accruing to the Group from data transmission services to business customers. This includes network capacity sales and leased line rentals.

Business – Voice

Revenue accruing to the Group from voice transmission services to business customers. This includes revenue from both local and long distance business calls, managed voice networks and interconnect settlements from other telecommunications operators for in-coming voice traffic. The traffic is carried on both fixed line and mobile networks.

Consumer

Revenue accruing to the Group from IP, data and voice transmission services to residential customers. This includes revenue from dedicated and dial-up internet services, both local and long distance fixed line calls, mobile calls and cable TV.

Other

Revenue accruing to the Group from other services including cableship revenue.

4 Segmental information

Details of Group turnover, contributions to operating profit/(loss) and net operating assets/(liabilities) by geographical region are as follows:

	Turnover		Group operating profit/(loss)					
	2000 £m	1999 £m	Before exceptional items and amortisation of goodwill £m	Exceptional items and amortisation of goodwill £m	2000 £m	Before exceptional items and amortisation of goodwill £m	Exceptional items and amortisation of goodwill £m	1999 £m
Hong Kong	2,253	2,519	706	(519)	187	930	—	930
Other Asia	182	155	34	(13)	21	23	—	23
Australia	1,650	635	135	(2)	133	45	—	45
United Kingdom	2,774	2,622	110	(652)	(542)	298	(2)	296
Other Europe	59	60	(71)	(34)	(105)	(26)	—	(26)
Caribbean	970	912	302	(138)	164	325	(1)	324
North America	888	792	(19)	(119)	(138)	24	(11)	13
Japan	315	21	12	(37)	(25)	(5)	—	(5)
Global Services	394	385	(48)	(6)	(54)	24	(1)	23
Rest of World	159	151	39	(30)	9	25	—	25
Inter-regional turnover	(443)	(308)	—	—	—	—	—	—
Group turnover/operating profit/(loss)	9,201	7,944	1,200	(1,550)	(350)	1,663	(15)	1,648

Exceptional items have been charged against the operating profits of Hong Kong in the amount of £513m (1999 – £nil), Other Asia £13m (1999 – £nil), United Kingdom £652m (1999 – £nil), Caribbean £137m (1999 – £nil), North America £7m (1999 – profit of £46m), Japan £18m (1999 – £nil) and Rest of World £30m (1999 – £nil).

Segmental information in respect of the Group's investments in associates and joint ventures is given in note 16.

Profits less (losses) on sale and termination of operations of £271m relates to the UK (1999 – £nil). Profits less (losses) on disposal of fixed assets amounting to £4,184m arises in the UK (profit of £3,401m), Other Europe (profit of £524m), Japan (profit of £235m), Hong Kong (loss of £51m), Caribbean (loss of £27m), Other Asia (loss of £49m), North America (profit of £2m) and Rest of World (profit of £149m). In 1999 profits less (losses) on disposal of fixed assets amounting to £368m related to Hong Kong (profit of £86m), United Kingdom (loss of £9m), Other Europe (profit of £93m) and Rest of World (profit of £198).

The Group turnover figure disclosed represents turnover of the Company and its subsidiaries allocated to the location from which the Group supplies its telecommunications services. This is generally the same as the location to which telecommunications services are supplied. It does not follow, however, that international telecommunications traffic which the Group may be responsible for carrying on part of its route would necessarily originate in that location. The Group does not have access to information on the original source or ultimate destination of international telecommunications traffic.

The Global Services category comprises businesses which provide services to multi-national customers and consequently supply these services from many geographic locations.

The exceptional items are described fully in note 10. Financing is dealt with at a Group level and therefore net interest and other similar income cannot be allocated to a geographic region.

4 Segmental information continued

	2000 £m	1999 £m
Net operating assets/(liabilities)		
Hong Kong	1,660	2,120
Other Asia	132	73
Australia	1,951	1,587
United Kingdom	4,467	3,904
Other Europe	72	(31)
Caribbean	1,015	1,070
North America	1,488	1,179
Japan	292	14
Global Services	57	226
Rest of World	33	33
	11,167	10,175
Other net liabilities	(42)	(2,178)
Net assets	11,125	7,997

Other net liabilities include tangible fixed assets not yet in service, fixed asset investments, short term deposits less loans and overdrafts.

Notes to the Accounts continued

5 Operating costs

Continuing operations before exceptional items									
	Businesses sold £m	Businesses to be sold £m	Ongoing operations		Exceptional items (note 10) £m	Total continuing operations 2000 £m	Continuing operations before exceptional items £m	Exceptional items (note 10) £m	Total continuing operations 1999 £m
	£m	£m	Existing £m	Acquisitions £m	£m	£m	£m	£m	£m
Outpayments to other telecommunications									
administrations and carriers	—	470	2,194	119	—	2,783	2,306	(46)	2,260
Television programming costs	—	126	51	—	—	177	149	—	149
Employee costs	12	409	887	42	—	1,350	1,074	—	1,074
Pension costs	1	31	50	4	—	86	81	—	81
Rental of transmission facilities	—	18	178	61	—	257	142	—	142
Operating lease rentals									
— plant and equipment	7	55	100	8	—	170	122	—	122
— other	—	—	34	—	—	34	66	—	66
Year 2000 systems compatibility costs	—	12	33	—	—	45	65	—	65
Other operating costs	18	776	981	57	77	1,909	1,253	—	1,253
	38	1,897	4,508	291	77	6,811	5,258	(46)	5,212
Depreciation of owned tangible fixed assets	4	390	814	34	1,293	2,535	1,000	—	1,000
Depreciation of tangible fixed assets held under finance leases	—	6	19	—	—	25	23	—	23
	4	396	833	34	1,293	2,560	1,023	—	1,023
Amortisation of capitalised goodwill	—	6	121	53	—	180	61	—	61
	42	2,299	5,462	378	1,370	9,551	6,342	(46)	6,296

Having regard to the special nature of the Group's business, an analysis of operating costs in the manner prescribed by the Companies Act 1985 is not meaningful. In the circumstances, the Directors have, as required by paragraph 3(3) of schedule 4 to the Companies Act 1985, adapted the prescribed format to the requirements of the Group's business.

The remuneration of the auditors and their associates in respect of audit services provided to the Group during the year was £1.7m (1999 – £1.6m) and £0.3m (1999 – £0.3m) in respect of services provided to the Company. The remuneration of the auditors and their associates in respect of non-audit services to the Company and its UK subsidiaries was £14.5m (1999 – £3.2m), including £2.5m (1999 – £nil) in respect of acquisition and disposal services.

6 Employees

The average monthly number of persons employed by the Group during the year was:

	2000 Number	1999 Number
Hong Kong	13,651	14,001
Other Asia	2,647	2,642
Australia	7,709	6,530
United Kingdom	12,526	13,245
Other Europe	304	198
Caribbean	10,606	10,532
North America	3,222	2,856
Japan	845	172
Global Services	1,260	2,095
Rest of World	2,106	1,569
Seconded to associates and joint ventures	43	96
	54,919	53,936

The aggregate remuneration and associated costs of Group employees, including amounts capitalised, was:

	2000 £m	1999 £m
Salaries and wages	1,444	1,151
Social security costs	169	143
Pension costs – principal schemes (note 8)	54	51
– other costs	32	30
	1,699	1,375

7 Directors' remuneration and shareholdings

Information covering Directors' remuneration (including pension entitlements), interests in shares and interests in share options (including in each case those arising under the Long Term Incentive Plan and Performance Share Plan) is included in the Remuneration report within the Directors' Report on pages 31 to 36.

8 Pensions

The Company and its principal subsidiaries operate pension and retirement schemes which cover the majority of employees in the Group. These schemes include both the defined benefit type, whereby retirement benefits are based on the employees' final remuneration and length of service, and defined contribution schemes, whereby retirement benefits reflect the accumulated value of agreed contributions paid by, and in respect of, employees. All the schemes are funded through separate trustee administered schemes. Contributions to the defined benefit schemes are made in accordance with the recommendations of independent actuaries who value the schemes at regular intervals, usually triennially.

Actuarial valuations of the principal United Kingdom and Hong Kong defined benefit pension schemes were prepared at 31 March 1999 and 31 December 1998 respectively.

The valuation of the United Kingdom Scheme disclosed a reduced surplus compared with the previous valuation. This was principally due to the return on the actuarially assessed value of the scheme assets between 1 April 1996 and 31 March 1999 being significantly less than expected with effect from 1 April 1999. The Company thus increased its contributions to the scheme to 14.2% of salary, with the agreement of the actuary.

The United Kingdom Scheme was valued using the projected unit method and the principal assumptions were that future investment returns would, on average, be 4.1% a year above the level of price inflation, that general salary growth would be 1.9% a year above price inflation, the growth of equity dividends from March 1999 levels would be 0.7% a year above price inflation and that pension increases would generally be in line with price inflation. The market value of the scheme's investments at the valuation date was £1,470m. The assessed value which the actuary placed on those investments was some 29% lower. The scheme also holds some insurance policies which have an assessed value of £12m. The total assessed value of the assets was 102% of the value of the aggregate benefits that had accrued to members of the scheme, allowing for expected future earnings increases in the case of employees.

Notes to the Accounts continued

8 Pensions continued

A review of the assumptions used for calculating the pension cost for accounting purposes has been carried out with the result that they now differ from the funding assumptions in that general salary growth would, on average, be 1.7% a year above the level of price inflation, and the growth of equity dividends would be 1% a year above price inflation. In the accounts, the surplus in the United Kingdom Scheme is spread over the remaining service lives of the employed members. Under those assumptions as at 31 March 1999, the total assessed value of the investments was 102% of the value of the aggregate benefits that had accrued to members of the scheme.

The actuarial valuation of the Hong Kong Scheme at 31 December 1998 disclosed a surplus of the assessed value of the Hong Kong Scheme assets over accrued members' rights on an ongoing basis. The surplus is being used to abate employer contributions over the expected remaining service lives of the employed members, and has been consistently treated in the accounts.

The three main sections of the Hong Kong Scheme which are open to new members were valued using the projected unit method and the four smaller closed sections of the Hong Kong Scheme were valued using the attained age method. The principal assumption is that the average long term rate of return on the Hong Kong Scheme's assets will be 2% a year higher than the rate of salary escalation. The method used to value the Hong Kong Scheme's assets is a three year quarterly moving average method. The market value of the Hong Kong Scheme's assets at the valuation date was £509m. The assessed value of the Hong Kong Scheme's assets was £553m which represented 103% of the aggregate benefits that had accrued to the members, after allowing for expected future increases in earnings.

The pension costs as shown in note 6 comprise:

	2000 £m	1999 £m
Regular costs	57	56
Variation from regular costs (including interest)	(3)	(5)
	54	51

Pension schemes other than the principal schemes are accounted for on the basis of local custom and practice. Pension prepayments of £81m (1999 – £73m) are included in other debtors (note 18). Provisions for obligations to pay terminal gratuities on retirement to staff who are not members of the pension and retirement schemes are included in provisions for pensions (note 21).

9 Profits less (losses) on disposal of fixed assets

Profits less (losses) on disposal of fixed assets before exceptional items of £3m (1999 – £170m) comprise profits on the disposal of several investments. The tax charge attributable to the disposals is £nil (1999 – £38m) and the minority share is £nil (1999 – £nil).

10 Exceptional items

Exceptional items in 2000 and 1999 comprise:

	Note	Exceptional items £m	Taxation £m	Minority interest £m	2000 £m	Exceptional items £m	Taxation £m	Minority interest £m	1999 £m
Operating items									
Customer acquisition costs	(i)	(77)	–	36	(41)	–	–	–	–
Write back of outpayment surcharges									
in Cable & Wireless USA	(ii)	–	–	–	–	46	(18)	–	28
Fixed asset impairment charge	(iii)	(1,293)	–	539	(754)	–	–	–	–
		(1,370)	–	575	(795)	46	(18)	–	28
Non operating items									
Profits less (losses) on sale and termination									
of operations	(iv)	271	(118)	8	161	–	–	–	–
Profits less (losses) on disposal									
of fixed assets	(v), (vi)	4,181	(141)	25	4,065	198	(61)	–	137
		3,082	(259)	608	3,431	244	(79)	–	165

10 Exceptional items continued

- (i) Relates to the write-down of deferred customer acquisition costs (which were held within current assets) to their estimated realisable value in respect of the Group's operations in Hong Kong.
- (ii) At 31 March 1998 Cable & Wireless USA was in dispute with a telecommunications carrier over surcharges invoiced above the original contracted price for carriage of traffic over the carrier's network. This case was heard in court and the court found against Cable & Wireless USA. The dispute has since been resolved satisfactorily and the Group wrote back £46m of the original provision.
- (iii) Due to regulatory and technological changes in certain sectors in which the Group operates, some fixed assets have become obsolete or their carrying value impaired. The carrying value of such assets, relating primarily to the Group's operations in Hong Kong, the United Kingdom and the Caribbean, was written down during the year to an estimated recoverable amount. The estimated recoverable amount was determined by applying discount rates of 15%, 12% and 20% to the cashflows for Hong Kong, the United Kingdom and the Caribbean respectively.
- (iv) This primarily relates to the sale of the Group's Global Marine business for cash consideration of £450m to Global Crossing on 2 July 1999 giving rise to profit on disposal of £301m. The remainder relates to a loss on disposal of MC Mobile Services Ltd amounting to £30m.
- (v) This includes losses of £127m relating to fixed asset write-offs and profits on the disposal of the Group's investments in:
- One2One, via a wholly owned subsidiary of the Group, to Deutsche Telekom for £3.45bn giving rise to a profit on disposal of £3.4bn;
 - Bouygues Telecom to Bouygues S.A. for £700m realising a profit on disposal of £524m;
 - A number of small minority stakes in various Japanese mobile companies to Vodafone Airtouch for £254m realising a profit on disposal of £235m; and
 - Bezeq – The Israel Telecommunications Corporation to Zeevi Communications Holdings Limited for £394m realising a profit of £149m.
- (vi) On 30 September 1998 the Group sold its entire 25% interest in Mobile Telephone Networks Holdings (Pty) Limited (MTN), the GSM cellular operator in South Africa, for South African Rand 2.6bn, realising a profit on disposal of £198m.

11 Net interest and other similar income

	2000 £m	1999 £m
Interest receivable and similar income		
Deposits and short term loan interest and similar income	242	153
Share of interest on loans to associates and joint ventures	2	10
Share of profits of international telecommunications satellite organisations	9	12
Exchange gains on retranslation of foreign currency denominated loans and deposits	9	1
	262	176
Interest payable		
Finance charges on leases	19	17
Bank loans and overdrafts	399	437
Other loans	32	10
	450	464
Less: Interest capitalised	(53)	(56)
	397	408
Net interest and other similar income	(135)	(232)

Notes to the Accounts continued

12 Tax on profit on ordinary activities

	2000 £m	1999 £m
United Kingdom		
Corporate tax at 30% (1999 – 31%)		
Current	277	245
Deferred	14	5
Double taxation relief	(37)	(104)
Adjustments in respect of prior years	(5)	(7)
	249	139
Overseas		
Current	213	199
Deferred	(10)	26
Adjustments in respect of prior years	(15)	(9)
	188	216
Joint ventures and associates		
Joint ventures	12	1
Associates	1	3
	13	4
	450	359

13 Earnings per share

	2000 £m	1999 £m
Profit for the financial year attributable to shareholders	3,724	908
Exceptional items (note 10)	(3,431)	(165)
Amortisation of capitalised goodwill (after minority interests)	177	61
Profit for the financial year before exceptional items and amortisation	470	804
Profit for the financial year attributable to shareholders	3,724	908
Interest saved on loan stock conversion for distribution	3	4
Diluted profit for the financial year attributable to shareholders	3,727	912
Weighted average number of shares in issue	2,425,134,261	2,374,463,508
Dilution effects of – share options	19,959,122	19,127,364
– convertible unsecured loan stock	24,968,987	39,947,794
Diluted weighted average number of shares	2,470,062,370	2,433,538,666
Basic earnings per Ordinary Share before exceptional items and amortisation	19.4p	33.9p
Basic earnings per Ordinary Share on exceptional items	141.5p	6.9p
Basic earnings per Ordinary Share on amortisation	(7.3)p	(2.6)p
Basic earnings per Ordinary Share	153.6p	38.2p

Basic and diluted earnings per share are based on the profit for the year attributable to shareholders. Basic earnings per share before exceptional items and amortisation is based on the weighted average number of shares in issue and has been provided in order that the effects of exceptional items and the amortisation of capitalised goodwill on reported earnings can be fully appreciated.

14 Intangible fixed assets

	Goodwill £m
Cost	
At 1 April 1999	1,213
Additions	746
Exchange	51
At 31 March 2000	2,010
Amortisation	
At 1 April 1999	(63)
Charge for the year	(180)
Exchange	(5)
At 31 March 2000	(248)
Net book value	
At 31 March 2000	1,762
At 31 March 1999	1,150

Goodwill arising as a result of acquisitions in the year primarily related to Cable & Wireless IDC (formerly International Digital Communications) Inc., 11 European Internet Service Providers and a scrip dividend taken from Cable & Wireless HKT Limited. This goodwill is being amortised over 10, 5 and 20 years respectively. These periods represent the estimated useful lives of the goodwill. These lives have been determined after taking account of the nature of the businesses acquired and the maturity of the industry in which the acquired businesses operate.

Included in additions is a net increase of £49m in the goodwill which arose on the acquisition of the US internet business in September 1998 to reflect finalisation of the fair values of the separable net assets acquired and consideration given. The principal changes to the provisional fair values established in 1999 relate to (i) consideration received on the sale of the Dial-up business recorded on acquisition as an asset held for re-sale, (ii) the outcome of negotiations on the amount of deferred consideration due, and (iii) amounts received from the vendor in full and final settlement of a claim by the Company in respect of various matters associated with the acquisition.

Notes to the Accounts continued

15 Tangible fixed assets

	Group				Company			
	Land and buildings £m	Plant and equipment £m	Projects under construction £m	Total £m	Land and buildings £m	Plant and equipment £m	Projects under construction £m	Total £m
Cost								
At 1 April 1999	762	12,994	1,534	15,290	37	130	10	177
Acquisitions	45	170	34	249	—	—	—	—
Additions	36	2,195	1,002	3,233	4	50	—	54
Disposals	(24)	(639)	(13)	(676)	(5)	(38)	(2)	(45)
Transfers	9	1,028	(1,037)	—	—	—	—	—
Exchange adjustments	7	7	2	16	—	—	—	—
At 31 March 2000	835	15,755	1,522	18,112	36	142	8	186
Depreciation								
At 1 April 1999	132	4,072	—	4,204	4	85	—	89
Charge for the year	33	1,234	—	1,267	—	10	—	10
Eliminated in respect of disposals	(5)	(327)	—	(332)	(1)	(20)	—	(21)
Impairment charge	16	1,277	—	1,293	14	—	—	14
Exchange adjustments	1	(3)	—	(2)	—	—	—	—
At 31 March 2000	177	6,253	—	6,430	17	75	—	92
Net book value								
At 31 March 2000	658	9,502	1,522	11,682	19	67	8	94
At 31 March 1999	630	8,922	1,534	11,086	33	45	10	88
Capitalised interest included in the above net book value								
At 31 March 2000	9	169	—	178	—	—	—	—
At 31 March 1999	9	121	8	138	—	—	—	—

The net book value of the Group's tangible fixed assets includes an amount of £193m (1999 – £195m) in respect of assets held under finance leases.

	Group		Company	
	2000 £m	1999 £m	2000 £m	1999 £m
Land and buildings at net book value				
Freeholds	314	296	19	32
Long leaseholds	266	154	—	—
Short leaseholds	78	180	—	1
	658	630	19	33

16 Fixed asset investments

	Group			Company			
	Associates and joint ventures £m	Other investments £m	Total £m	Associates and joint ventures £m	Subsidiary undertakings £m	Other investments £m	Total £m
Cost							
At 1 April 1999	421	435	856	129	5,405	170	5,704
Acquisitions	—	8	8	—	—	—	—
Additions	9	86	95	1	5,216	3	5,220
Transfers	(39)	—	(39)	(26)	26	—	—
Disposals	(247)	(405)	(652)	(31)	(4,289)	(129)	(4,449)
Exchange adjustments	6	4	10	—	—	—	—
At 31 March 2000	150	128	278	73	6,358	44	6,475
Loans							
At 1 April 1999	164	114	278	141	3,143	—	3,284
Additions	1	—	1	—	681	—	681
Loans repaid	(22)	—	(22)	(11)	(664)	—	(675)
Disposals	(124)	(114)	(238)	(119)	—	—	(119)
Exchange adjustments	1	—	1	—	—	—	—
At 31 March 2000	20	—	20	11	3,160	—	3,171
Amounts written off							
At 1 April 1999	(57)	(2)	(59)	(14)	(588)	—	(602)
Amounts written off in year	(54)	—	(54)	—	(10)	—	(10)
Transfers	8	—	8	—	—	—	—
Disposals	27	—	27	5	15	—	20
Exchange adjustments	(1)	—	(1)	—	—	—	—
At 31 March 2000	(77)	(2)	(79)	(9)	(583)	—	(592)
Share of post acquisition reserves							
At 1 April 1999	(303)	(32)	(335)	—	—	—	—
Dealt with by associates and joint ventures	16	—	16	—	—	—	—
Transfers	1	—	1	—	—	—	—
Disposals	513	32	545	—	—	—	—
Exchange adjustments	7	—	7	—	—	—	—
At 31 March 2000	234	—	234	—	—	—	—
Net book value							
At 31 March 2000	327	126	453	75	8,935	44	9,054
At 31 March 1999	225	515	740	256	7,960	170	8,386

16 Fixed asset investments continued

On 6 August 1999 the Group disposed of its 50% joint venture interest in One2One.

The disposal of the Group's 20% stake in Bouygues Telecom was completed on 2 July 1999. Bouygues Telecom was reclassified from associates to other fixed asset investments on 10 April 1998, being the date the disposal was announced and the Group ceased to exercise significant influence over its financial and operating policies.

The disposals of other fixed asset investments included the Group's 19.61% interest in Bezeq on 6 December 1999 and its mobile telephone interests in Japan, comprising the 8% holding in Tokyo Digital Phone, the 7.2% in Kansai Digital Phone and 7.2% in Tokai Digital Phone on 22 September 1999.

	Group				Company			
	Associates and joint ventures		Other investments		Associates and joint ventures		Other investments	
	2000 £m	1999 £m	2000 £m	1999 £m	2000 £m	1999 £m	2000 £m	1999 £m
Investments at net book value								
Listed shares	67	62	10	128	17	17	—	—
Unlisted shares	240	(1)	36	172	47	98	3	15
Listed shares held via derivatives	—	—	—	107	—	—	—	112
Loans	20	164	—	—	11	141	—	—
ESOP shares (note 22)	—	—	14	17	—	—	10	13
Interest in international telecommunications satellite organisations	—	—	66	91	—	—	31	30
	327	225	126	515	75	256	44	170

The market value of the Group's holdings in listed shares was £162m (1999 – £149m) for associates and joint ventures and £11m (1999 – £252m) for other investments. The market value of the Group's interests in shares held via derivatives was £nil (1999 – £136m). The market value of the Company's holdings in listed shares of associates and joint ventures was £162m (1999 – £149m) and £nil (1999 – £nil) for other investments. The market value of the Company's interests in listed shares held via derivatives was £nil (1999 – £136m).

Reconciliation of Group share of profits less (losses) of joint ventures and associates with post acquisition retained reserves

	Joint ventures £m	Associates £m	2000 £m	Joint ventures £m	Associates £m	1999 £m
Share of turnover	396	71	467	1,064	112	1,176
Operating costs	(337)	(56)	(393)	(961)	(92)	(1,053)
Operating profits less (losses)	59	15	74	103	20	123
Net interest	(27)	7	(20)	(85)	—	(85)
Share of profits less (losses) dealt with within associates and joint ventures	37	17	54	18	20	38
Interest received and receivable on loans to associates and joint ventures	(1)	—	(1)	(12)	—	(12)
Taxation charge	(12)	(1)	(13)	(1)	(3)	(4)
Dividends paid to Group companies	(11)	(13)	(24)	(10)	(8)	(18)
Dealt with by associates and joint ventures	13	3	16	(5)	9	4

16 Fixed asset investments continued

Segmental analysis of Group share of turnover and operating profits/(losses) of joint ventures and associates

	Turnover		Operating profit/(loss)	
	2000 £m	1999 £m	2000 £m	1999 £m
Hong Kong	2	24	8	14
Other Asia	77	89	6	6
Australia	—	286	(6)	26
United Kingdom	153	377	(5)	(26)
Other Europe	26	66	4	20
Caribbean	70	73	23	26
Japan	14	61	1	2
Global Services	60	85	24	33
Rest of World	65	115	19	22
	467	1,176	74	123

Group share of net assets of joint ventures and associates

	Joint ventures £m	Associates £m	2000 £m	Joint ventures £m	Associates £m	1999 £m
Fixed assets	420	92	512	816	87	903
Current assets	195	38	233	476	45	521
Share of gross assets	615	130	745	1,292	132	1,424
Current borrowings	(145)	(3)	(148)	(48)	—	(48)
Other current liabilities	(171)	(20)	(191)	(342)	(24)	(366)
Long term borrowings	(41)	(5)	(46)	(936)	(3)	(939)
Other long term liabilities	(9)	(44)	(53)	(10)	(4)	(14)
Share of gross liabilities	(366)	(72)	(438)	(1,336)	(31)	(1,367)
Less: Loans from Group companies	19	1	20	163	1	164
Group share of gross liabilities	(347)	(71)	(418)	(1,173)	(30)	(1,203)
Add: Goodwill capitalised	—	—	—	4	—	4
Share of net assets	268	59	327	123	102	225

Segmental analysis of Group share of net assets/(liabilities) of joint ventures and associates

	Joint ventures £m	Associates £m	2000 £m	Joint ventures £m	Associates £m	1999 £m
Hong Kong	—	2	2	—	1	1
Other Asia	39	(8)	31	49	37	86
Australia	(1)	—	(1)	9	—	9
United Kingdom	—	—	—	(157)	—	(157)
Other Europe	12	—	12	7	—	7
Caribbean	88	(4)	84	79	2	81
Japan	—	—	—	28	—	28
Global Services	119	—	119	95	—	95
Rest of World	11	69	80	13	62	75
	268	59	327	123	102	225

Notes to the Accounts continued

16 Fixed asset investments continued

The net book value of subsidiary undertakings in the Company includes £1,257m (1999 – £1,257m) in respect of the Company's holding of 46.66% (1999 – 46.76%) in Cable & Wireless Communications plc. Other Group companies own £262m (1999 – £262m). The market value of the Company's shareholding was £7,401m (1999 – £4,891m) and the Group's shareholding of 52.73% (1999 – 52.84%) was £8,364m (1999 – £5,527m) at 31 March 2000.

Other Group companies hold 52.50% in Cable & Wireless Optus Limited at 31 March 2000. The market value of the Group's shareholding was £4,987m at 31 March 2000.

Other Group companies hold 54.21% (1999 – 54.00%) in Cable & Wireless HKT Limited. The market value of the Group's shareholding was £10,874m (1999 – £7,902m) at 31 March 2000.

17 Stocks

	Group		Company	
	2000 £m	1999 £m	2000 £m	1999 £m
Stocks for the development of the Group's telecommunications systems	61	16	–	–
Stocks for resale	122	160	2	34
Consumable stores	31	72	–	–
	214	248	2	34

18 Debtors

	Group		Company	
	2000 £m	1999 £m	2000 £m	1999 £m
Amounts falling due within one year				
Trade debtors (excluding securitised trade debtors)	1,017	977	17	6
Amounts owed by subsidiary undertakings	–	–	86	95
Amounts owed by associates and joint ventures	39	12	1	5
Other debtors	167	191	126	112
Prepayments and accrued income	358	385	70	9
Net investment in finance leases	27	–	–	–
	1,608	1,565	300	227
Net securitised debtors	268	121	–	–
Amounts falling due after more than one year				
Other debtors	79	60	2	3
Prepayments and accrued income	421	312	51	44
Net investment in finance leases	39	39	–	–
	539	411	53	47
Total debtors	2,415	2,097	353	274
Net investment in finance leases				
Total lease payments receivable	80	39	–	–
Total rentals received during the year in respect of finance leases	(14)	–	–	–

A company within the Group is a limited partner in a number of limited partnerships which own and lease assets to third parties. Non recourse finance of £253m (1999 – £251m) has been offset, under paragraph 29 of FRS 5 – 'Reporting the Substance of Transactions', against the net investment in finance leases.

18 Debtors continued

Within the Group's overall working capital facilities, certain trade debts have been assigned as security against the advance of cash. This security is represented by the assignment of a pool of trade debts held by Cable & Wireless Communications plc to a trust for the benefit of the providers of this working capital facility. The financing provided against this pool takes into account, inter alia, the risks that may be attached to individual debtors and the expected collection period.

The Group is not obliged, and does not intend, to support any losses arising from the assigned debts against which cash has been advanced. The providers of the finance have confirmed that, in the event of default in payment by a debtor, they will seek repayment of cash advanced, as to both principal and interest, only from the remainder of the pool of debts in which they hold an interest, and that repayment will not be sought from the Group in any other way.

19 Short term deposits and cash at bank and in hand

Of the total amounts shown, £38m (1999 – £29m) is held in countries subject to exchange regulations which may delay repatriation.

Obligations under finance leases include transactions involving the sale and leaseback of certain cable network assets. As a result of these transactions, £83m (1999 – £126m) of the Group's short term deposits is provided as security for future payments.

20 Creditors

	Group		Company	
	2000 £m	1999 £m	2000 £m	1999 £m
Amounts falling due within one year				
Loans and obligations under finance leases				
Bank loans and overdrafts	211	180	1	2
Bills payable	2	9	–	–
Current instalments due on loans	500	882	2	768
Obligations under finance leases	48	31	–	–
	761	1,102	3	770
Other creditors				
Payments received on account	64	49	–	–
Trade creditors	747	665	3	2
Amounts owed to subsidiary undertakings	–	–	60	80
Amounts owed to associates and joint ventures	1	36	–	38
Dividends payable	256	227	256	227
Other taxation and social security	356	201	106	–
Other creditors	502	310	153	71
Accruals and deferred income	1,858	1,524	110	45
	3,784	3,012	688	463
	4,545	4,114	691	1,233

Notes to the Accounts continued

20 Creditors continued

	Group		Company	
	2000 £m	1999 £m	2000 £m	1999 £m
Amounts falling due after more than one year				
7% Convertible Unsecured Loan Stock 2008	37	71	37	71
Other loans				
Sterling repayable at various dates up to 2019	4,092	4,201	228	1,014
US dollars repayable at various dates up to 2038	573	728	250	210
Australian dollars repayable at various dates up to 2009	854	401	–	–
Other currencies repayable at various dates up to 2020	220	37	121	–
	5,739	5,367	599	1,224
Less: Current instalments due	(500)	(882)	–	(770)
	5,239	4,485	599	454
Obligations under finance leases	208	245	–	–
Total other loans and obligations under finance leases	5,447	4,730	599	454
Amounts owed to subsidiary undertakings	–	–	4,621	4,187
Amounts owed to associates and joint ventures	53	–	–	–
Accruals and deferred income	28	57	11	50
Other creditors	7	18	–	17
	88	75	4,632	4,254
	5,572	4,876	5,268	4,779
Payment profile of total other loans and obligations under finance leases				
Between one and two years	552	474	–	244
Between two and five years	2,421	2,284	280	–
In five or more years	2,474	1,972	319	210
	5,447	4,730	599	454

The 7% Convertible Unsecured Loan Stock 2008 carries interest at 7% per annum. This stock is convertible at the option of stockholders into Ordinary Shares in Cable and Wireless plc on 31 August in each year up to and including 2008, on the basis of one Ordinary Share for every 206p of nominal loan stock.

Any borrowing, the liability of which is swapped into another currency, is accounted for as a liability in the swap currency and not in the original currency of denomination.

No borrowings are secured on assets of the Group (1999 – £nil).

21 Provisions for liabilities and charges

	Note	At 1 April 1999 £m	Additions £m	Amounts used £m	Unused amounts reversed £m	Other movements £m	At 31 March 2000 £m
Group							
Deferred tax – amount provided	(i)	189	9	–	–	(5)	193
Pension, redundancy payments and unfunded gratuities	(ii)	16	42	(31)	–	25	52
Onerous contracts	(iii)	59	–	–	(59)	–	–
Litigation claims	(iv)	4	2	(1)	–	–	5
Reorganisation	(v)	28	1	(11)	(7)	–	11
Other	(vi)	17	3	–	–	–	20
		313	57	(43)	(66)	20	281
Company							
Deferred tax – amount provided	(i)	33	–	(6)	–	–	27
Pension, redundancy payments and unfunded gratuities	(ii)	5	–	–	–	–	5
Reorganisation	(v)	1	–	–	–	–	1
		39	–	(6)	–	–	33

(i) Deferred tax

Other movements relate to reclassifications of amounts from current tax to deferred tax.

The potential deferred tax liability does not include an amount of £891m (1999 – £862m) of contingent tax liability arising on the reserves of overseas subsidiaries, associates and joint ventures which the Group does not expect to remit to the United Kingdom. As at 31 March 2000, the Group had tax losses to carry forward of approximately £2,688m (1999 – £2,210m) against which no deferred tax asset has been recognised.

	Group				Company			
	Amounts provided		Total potential liability		Amounts provided		Total potential liability	
	2000 £m	1999 £m	2000 £m	1999 £m	2000 £m	1999 £m	2000 £m	1999 £m
Tax effect of timing differences								
Excess capital allowances	27	52	782	891	–	–	16	25
Other	166	137	275	227	27	33	27	33
	193	189	1,057	1,118	27	33	43	58

(ii) Pensions, redundancy payments and unfunded gratuities

The Group operates various unfunded pension plans and these provisions are to cover the expected cost. These provisions are long term and the timing of their utilisation is unknown.

Other movements relate to a provision for employee entitlements that was disclosed within creditors in last year's accounts.

Included within this provision is an amount of £1.8m (1999 – £1.5m) to cover the cost of former Directors' pension entitlements as shown on page 34.

Notes to the Accounts continued

21 Provisions for liabilities and charges continued

(iii) Onerous contracts

Cable & Wireless Optus is party to a number of contracts for pay television programming including agreements with various television programme providers. The terms of most of these contracts included minimum subscriber guarantees where Cable & Wireless Optus was required to pay predetermined amounts to the programme providers when subscriber numbers failed to reach a minimum guaranteed level. These minimum guarantees were in some instances significantly in excess of current and, in certain future periods, anticipated subscriber numbers. At the time Cable & Wireless Optus acquired control of Optus Vision, Cable & Wireless provided for the onerous element of these contracts. In previous periods the provision was shown as a reduction in the carrying value of the Group's share of Cable & Wireless Optus. During the year these contracts were successfully renegotiated and the unused provision was released to the profit and loss account.

(iv) Litigation claims

The balance relates to actual and threatened legal claims against Optus Vision, in the previous period, and against Cable & Wireless Panama S.A. for breach of contract relating to the provision of telecommunications services to a third party.

(v) Reorganisation

This provision principally relates to a provision for property costs which arose during the fundamental reorganisation of Cable & Wireless Communications plc in 1998. It is expected to be utilised within one year.

(vi) Other

Other provisions includes £18m relating to specific non re-insured claims of the Group's captive insurance company. It is expected that this provision will be utilised within two to three years.

22 Called up share capital

	2000	1999
Authorised		
2,734,520,636 Ordinary Shares of 25p each		
(1999 – 2,734,520,636 Ordinary Shares of 25p each)	£684m	£684m
Special Rights Preference Share of £1	£1	£1
Allotted, called up and fully paid		
2,440,220,758 Ordinary Shares of 25p each		
(1999 – 2,410,726,458 Ordinary Shares of 25p each)	£610m	£603m
Special Rights Preference Share of £1	£1	£1

The Special Rights Preference Share is held by H.M. Government and carries no right to participate in the capital, beyond the sum of £1, or the earnings of the Company.

At an Extraordinary General Meeting of the Company held on 13 March 2000, shareholders approved the increase in the Company's authorised share capital from £683,630,160 to £875,000,000 by the creation of an additional 765,479,360 ordinary shares of 25p each. The increase however is conditional upon the exercise of options in connection with the acquisition by the Company of the minority interest in the business operations of Cable & Wireless Communications plc.

22 Called up share capital continued

Allotments of Ordinary Shares of 25p each were made during the year in respect of the following:

	Number of shares allotted	Gross consideration received £
C&W Savings Related Share Option Scheme	3,803,238	12,248,379
C&W Global Savings Related Share Option Scheme	620	4,034
C&W Senior Employees' Share Option Scheme	5,180,496	24,849,125
C&W Revenue Approved Share Option Scheme	3,437,279	13,521,663
C&W Employee Stock Purchase Plan	398,418	2,102,476
On conversion of 7% Convertible Unsecured Loan Stock 2008	16,674,249	34,348,953
	29,494,300	87,074,630

Notes to the Accounts continued

22 Called up share capital continued

At 31 March 2000 outstanding options granted under share option schemes to subscribe for new Ordinary Shares were as follows:

	Number of shares	Price	Remaining period
C&W Senior Employees Share Option Scheme (SESOS)	246,538	397.70p	2000
	139,004	338.04p	2000
	753,388	446.50p	2000-2001
	1,142,309	413.70p	2000-2002
	2,145,402	420.50p	2000-2003
	112,853	472.40p	2000-2004
	47,499	511.60p	2000-2004
	5,448,831	553.30p	2000-2004
	141,531	548.50p	2000-2004
	18,809	478.50p	2000-2004
	25,000	512.00p	2001-2005
	3,127,788	704.60p	2001-2005
	12,423	684.20p	2001-2005
	237,820	537.20p	2001-2005
	18,190	632.20p	2001-2005
	299,850	716.30p	2001-2005
	20,000	857.80p	2002-2006
	261,299	848.80p	2002-2006
	*3,964,182	810.70p	2002-2006
	*310,000	813.40p	2002-2006
	*17,121	767.50p	2002-2006
	*54,647	722.30p	2002-2006
	*114,941	696.20p	2002-2006
	*13,791	672.60p	2002-2006
	*7,129,330	982.00p	2002-2006
	*134,490	993.80p	2003-2007
	*16,466	1,311.90p	2003-2007
C&W Savings Related Share Option Scheme (SAYE)	4,207	272.64p	2000
	96,485	304.24p	2000-2001
	241,391	393.84p	2000-2001
	219,781	341.84p	2000-2002
	260,338	285.20p	2000-2002
	576,107	336.56p	2000-2003
	552,628	358.16p	2001-2003
	676,016	336.40p	2000-2004
	598,865	376.56p	2000-2004
	801,670	394.48p	2000-2005
	223,133	427.84p	2001-2005
	166,484	533.68p	2001-2006
	3,405,923	558.64p	2002-2006
	*1,489,176	625.36p	2002-2007
	*1,544,522	687.68p	2003-2007

22 Called up share capital continued

	Number of shares	Price	Remaining period
C&W Revenue Approved Share Option Scheme (RESOS)	340,630	265.00p	2000
	343,017	222.44p	2000-2002
	221,769	261.70p	2000-2002
	447,378	397.70p	2000-2003
	448,431	338.04p	2000-2003
	984,393	446.50p	2000-2004
	1,053,196	413.70p	2000-2005
	989,049	420.50p	2000-2006
	5,863	511.60p	2000-2007
	1,819,193	553.30p	2000-2007
	5,469	548.50p	2000-2007
	6,269	478.50p	2000-2007
	396,723	704.60p	2001-2008
	4,384	684.20p	2001-2008
	*890,454	810.70p	2002-2009
	*6,729	767.50p	2002-2009
	*4,153	722.30p	2002-2009
	*400,943	982.00p	2002-2009
	*2,286	1311.90p	2003-2010
C&W Global Savings Related Share Option Scheme (GSAYE) – Hong Kong	*1,959,847	625.36p	2002-2005
– Australia	*638,464	650.72p	2002-2005
– Japan	*322,923	546.72p	2002-2005
– Caribbean and Atlantic Islands	*984,708	687.68p	2003-2005
– Ireland	*52,067	687.68p	2003-2005

* Granted during the year ended 31 March 2000.

The Employee Share Ownership Plan Trust (The Trust)

The Trust is a discretionary trust which has been funded by a £16m loan from the Company to acquire shares in Cable and Wireless plc. The Trust held 1,408,679 shares (1999 – 1,917,375 shares) valued at £16.5m (1999 – £13m) on 31 March 2000. The cost of running the Trust is included in the profit and loss account. The Trustees of the plan may notionally allocate Ordinary Shares in the Company annually to Executive Directors and other senior executives. Shares are held in trust until such time as they may be transferred to employees in accordance with the terms of the C&W Long Term Incentive Plan and Performance Share Plan, details of which are given in the Directors' Report on page 32. The shares will be provided from existing Ordinary Shares in issue acquired by the Trustees. The expected cost of all these shares is charged to the profit and loss account over the life of the relevant scheme. Surplus shares may be held to satisfy future awards. 1,046,852 shares are held under options, under the Long Term Incentive Plan, and 1,369,303 under contingent awards, under the Performance Share Plan, at 31 March 2000.

23 Reserves

	Group		Company	
	Share premium £m	Profit and loss account £m	Share premium £m	Profit and loss account £m
At 1 April 1999	1,484	2,484	1,484	712
Net premium on shares allotted	80	—	80	—
Adjustments in respect of share options exercised	25	(12)	25	(12)
Share option adjustment	—	10	—	—
Goodwill written back through the profit and loss account	—	56	—	—
Unrealised gain on a transfer of an investment	—	—	—	383
Realised gain on a transfer of an investment	—	—	—	3,780
Exchange adjustments	—	1	—	—
Profit/(loss) for the year retained	—	3,358	—	(727)
At 31 March 2000	1,589	5,897	1,589	4,136

Exchange adjustments in the Group are net of exchange losses of £66m (1999 – £3m) on foreign currency borrowings. The cumulative amount of goodwill charged to reserves in prior years as a result of acquisitions, net of goodwill written back through the profit and loss account and statement of recognised gains and losses, amounted to £2,435m (1999 – £2,491m). Of this amount £441m (1999 – £449m) related to associates and joint ventures.

24 Financial instruments

An outline of the objectives, policies and strategies pursued by the Group in relation to financial instruments is set out in the Treasury and Funding Activities section of the Operating and Financial Review on pages 28 to 29.

For the purpose of the disclosures which follow in this note, short term debtors and creditors which arise directly from the Group's operations have been excluded from financial assets and liabilities as permitted under FRS 13 – 'Derivatives and Other Financial Instruments: Disclosure'. The disclosures therefore focus on those financial instruments which play a significant medium to long term role in the financial risk profile of the Group. An analysis of the carrying value of all financial assets and liabilities is given in the fair value table on page 71.

Interest rate management

The interest rate profile of the financial liabilities of the Group at 31 March, after taking account of interest rate swaps and cross currency interest rate swaps, is set out in the table below:

Currency	Floating rate £m	Fixed rate £m	2000 total £m	Floating rate £m	Fixed rate £m	Non-interest bearing £m	1999 total £m
Sterling	980	3,148	4,128	985	3,488	—	4,473
US\$	221	538	759	337	516	—	853
HK\$	165	—	165	5	160	—	165
Aus\$	225	629	854	—	375	59	434
Yen	63	167	230	—	—	—	—
Other	56	53	109	17	20	—	37
	1,710	4,535	6,245	1,344	4,559	59	5,962

The floating rate financial liabilities comprise bank borrowings bearing interest at rates fixed in advance for periods ranging from one week to six months by reference to LIBOR for sterling and US dollar borrowings, HIBOR in the case of Hong Kong dollar borrowings and BBSW in the case of Australian dollar borrowings.

At 31 March 2000 the Group did not have any financial liabilities on which no interest was paid. Non-interest bearing financial liabilities at 31 March 1999 related to onerous contract provisions which were released during the year as disclosed in note 21.

24 Financial instruments continued

The Group has a net liability of £17m resulting from the fair value of forward exchange contracts entered into before 31 March 2000. This has been excluded from the above table.

The weighted average interest rates for the fixed rate financial liabilities of the Group at 31 March, together with the periods for which the rates were fixed, are set out in the table below:

Currency	2000		1999	
	Weighted average interest rate %	Weighted average period for which rate is fixed Months	Weighted average interest rate %	Weighted average period for which rate is fixed Months
Sterling	7.1	77	7.4	84
US\$	6.6	32	5.9	48
HK\$	—	—	6.0	1
Aus\$	7.3	80	7.5	36
Yen	3.0	30	—	—
Other	7.5	24	9.0	60
	6.9	70	7.2	73

The interest rate profile of the financial assets of the Group at 31 March, after taking account of interest rate swaps, is set out in the table below:

Currency	Floating rate £m	Non-interest bearing £m	2000 total £m	Floating rate £m	Fixed rate £m	Non-interest bearing £m	1999 total £m
Sterling	3,086	—	3,086	316	—	—	316
US\$	1,485	79	1,564	691	—	78	769
HK\$	179	28	207	664	189	32	885
Aus\$	66	—	66	9	—	10	19
Other	238	14	252	123	—	404	527
	5,054	121	5,175	1,803	189	524	2,516

The floating rate financial assets comprise cash and short term deposits. Of the total, 56% is held by Cable and Wireless plc as sterling cash deposits with short term maturities based on LIBOR and a further 31% is held by Cable & Wireless HKT. Cable & Wireless HKT's financial assets are invested in short term US dollar and Hong Kong dollar money market deposits, with maturities ranging between one and twelve months. At 31 March 2000 the Group had no financial assets on which a fixed rate of interest is earned.

At 31 March 1999 the Group had Hong Kong dollar denominated financial assets upon which fixed interest was earned during that year at an average rate of 6.9%. The average period for which the interest rates were fixed was 12 months.

Exchange risk management

The table below shows the Group's currency exposures at 31 March on currency transactions that give rise to the net currency gains and losses recognised in the profit and loss account. Such exposures comprise the monetary assets and liabilities of the Group that are not denominated in the functional currency of the operating company involved, other than certain non-sterling borrowings treated as hedges of net investments in overseas investments.

Notes to the Accounts continued

24 Financial instruments continued

Net foreign currency monetary assets/(liabilities) in £m									
Functional currency of the operating company	2000				1999				
	US\$	HK\$	Other	Total	Sterling	US\$	HK\$	Other	Total
Sterling	(8)	7	(4)	(5)	—	55	(59)	(6)	(10)
HK\$	1,333	—	31	1,364	—	628	—	—	628
Aus \$	—	—	—	—	1	38	—	—	39
Other	(155)	1	(91)	(245)	—	(298)	—	—	(298)
	1,170	8	(64)	1,114	1	423	(59)	(6)	359

The amounts shown in the table above take into account the effect of any cross currency swaps, forward contracts and other derivatives entered into to manage these currency exposures.

Maturity of financial liabilities

The maturity profiles of the Group's financial liabilities, as listed in the fair value table on page 71, are disclosed in notes 20 and 21.

Borrowing facilities

The Group has various borrowing facilities available to it. The undrawn committed facilities available at 31 March, in respect of which all conditions precedent have been met at that date, are as follows:

	2000 £m	1999 £m
Expiring within one year	739	1,556
Expiring in year two	1,037	—
Expiring thereafter	379	840
	2,155	2,396

24 Financial instruments continued

Fair value

The estimated fair value of the Group's financial instruments are summarised below:

	2000		1999	
	Carrying amount £m	Estimated fair value £m	Carrying amount £m	Estimated fair value £m
Primary financial instruments held or issued to finance the Group's operations				
Trade investments (excluding ESOP shares)	112	112	498	925
Cash	421	421	319	319
Short term deposits	4,567	4,567	1,600	1,600
Current asset investments	9	9	60	60
Net investment in finance lease receivables	66	66	39	39
Loans and obligations under finance leases due within one year	(761)	(761)	(1,102)	(1,102)
Convertible bonds	(37)	(204)	(71)	(263)
Other loans and obligations under finance leases due after more than one year	(5,447)	(5,828)	(4,730)	(4,915)
Provisions for onerous contracts	–	–	(59)	(59)
Derivative financial instruments held to manage interest rate and currency exposure				
Interest rate swaps – assets	–	25	–	10
– (liabilities)	–	(6)	–	(96)
Cross currency swaps – assets	–	11	–	38
– (liabilities)	–	(134)	–	(33)
Forward foreign exchange contracts	(17)	(17)	(5)	(5)

Trade investments

Trade investments above are detailed in note 16 but exclude ESOP shares carried at £14m (1999 – £17m). The fair value is based on year end quoted prices for listed investments and estimates of likely sales proceeds for other investments.

Current asset investments

The fair value is based on market value or estimates of likely sales proceeds.

Cash at bank and in hand, short term deposits and short term borrowings

The carrying value approximates to fair value either because of the short maturity of the instruments or because the interest rate on investments is reset after periods not greater than six months.

Convertible bonds and other long term debt

The fair value is based on quoted market prices or, where these are not available, on the quoted market prices of comparable debt issued by other companies.

Interest rate and cross currency swaps

The fair value of interest rate and cross currency swaps is the estimated amount which the Group would expect to pay or receive were it to terminate the swaps at the balance sheet date. This is based on quotations from counterparties and takes into consideration current interest rates, current exchange rates and the current creditworthiness of the counterparties. The nominal value of the interest rate and currency swaps at 31 March 2000 was £6,906m (1999 – £4,526m).

Forward exchange contracts

The value of these contracts is the estimated amount which the Group would expect to pay or receive on the termination of the contracts. At 31 March 2000 the Group had £746m of such contracts outstanding (1999 – £578m).

Notes to the Accounts continued

24 Financial instruments continued

Hedges

Gains and losses on instruments used for hedging are not recognised until the exposure that is being hedged is itself recognised. Unrecognised gains and losses on instruments used for hedging (excluding hedges that have been accounted for by adjusting the carrying value of a fixed asset recognised on the balance sheet), and the underlying asset or liability are as follows:

	Gains £m	(Losses) £m	Net gains/ (losses) £m
Unrecognised gains and losses on hedges			
At 1 April 1999	48	(314)	(266)
Gains/(losses) arising in the year that were not recognised during the year	21	(72)	(51)
At 31 March 2000	69	(386)	(317)
Of which:			
Gains/(losses) expected to be recognised in less than one year	28	(112)	(84)
Gains/(losses) expected to be recognised after more than one year	41	(274)	(233)

No unrecognised gains/(losses) arising in previous years were recognised during the year.

As highlighted in the interest rate management table on page 68, 73% of the Group's financial liabilities have fixed interest rates. The above net unrecognised loss is a reflection of different market interest rates ruling at 31 March 2000.

25 Commitments and contingent liabilities

	Group		Company	
	2000 £m	1999 £m	2000 £m	1999 £m
Commitments				
Commitments in respect of contracts placed	1,453	1,114	–	–
Undrawn commitments to lend to associates and joint ventures	–	178	–	178
Commitments to acquire additional fixed asset investments	27	68	–	17
Share of commitments in respect of contracts placed by associates and joint ventures	145	298	–	–
Contingent liabilities				
Trading guarantees	26	42	826	846

26 Leases

Operating lease commitments payable in the following year, analysed according to the period in which each lease expires, are as follows:

	Group				Company			
	Land and buildings		Other assets		Land and buildings		Other assets	
	2000 £m	1999 £m	2000 £m	1999 £m	2000 £m	1999 £m	2000 £m	1999 £m
Expiring within one year	16	42	80	89	–	–	–	–
Expiring in years two to five	57	79	34	142	–	1	–	–
Expiring thereafter	53	64	22	30	–	2	–	–
	126	185	136	261	–	3	–	–

27 Reconciliation of operating (loss)/profit to net cash inflow from operating activities

For the year ended 31 March	2000 £m	1999 £m
Operating (loss)/profit	(350)	1,648
Add back non-cash items:		
Depreciation and amortisation	1,447	1,084
Decrease/(increase) in stocks	28	(47)
(Increase) in debtors	(275)	(144)
Increase in creditors	119	250
Exceptional non-cash items (note 10)	1,370	(46)
Net cash (outflow) in respect of restructuring costs and other provisions	(32)	(120)
Other non-cash items	(71)	(23)
Net cash inflow from operating activities	2,236	2,602

28 Reconciliation of net cash flow to movement in net debt

	2000 £m	1999 £m
Increase/(decrease) in cash in the year	33	(94)
Cash (inflow)/outflow resulting from (increase)/decrease in debt and lease financing	(288)	215
Cash outflow resulting from increase in liquid resources (note 30)	3,080	131
Decrease in net debt resulting from cash flows	2,825	252
Conversion of Unsecured Loan Stock	34	23
Borrowings of businesses acquired and disposed	(189)	(1,348)
Inception of finance lease contracts	(7)	—
Translation and other differences	64	49
Movement in net debt in the year	2,727	(1,024)
Net debt at 1 April	(3,984)	(2,960)
Net debt at 31 March	(1,257)	(3,984)

29 Analysis of changes in net debt

	At 1 April 1999 £m	Cash flow (excluding cash) £m	Acquisitions and disposals £m	Other non-cash changes £m	Exchange movements £m	At 31 March 2000 £m
Cash at bank and in hand	319	107	—	—	(5)	421
Short term deposits repayable on demand	195	(48)	—	—	(3)	144
Bank overdrafts	(180)	(26)	—	—	(5)	(211)
	334	33	—	—	(13)	354
Liquid resources (note 30)	1,405	3,080	(91)	—	29	4,423
Debt due within 1 year	(922)	345	—	27	—	(550)
Debt due after 1 year	(4,801)	(633)	(98)	—	48	(5,484)
Total debt	(5,723)	(288)	(98)	27	48	(6,034)
Total net debt	(3,984)	2,825	(189)	27	64	(1,257)

30 Liquid resources

Liquid resources comprise short term deposits which are readily convertible into known amounts of cash at or close to their carrying value.

Included within liquid resources are amounts totalling £44m (1999 – £40m) held by the Group's insurance subsidiary. These assets are actively managed to meet insurance liabilities. These assets are required to meet insurance solvency requirements and, as a result, are not all readily available for the general purposes of the Group. Other short term deposits typically include bank deposits, excluding those which are repayable on demand, commercial paper and government securities. These deposits have short maturities and a high turnover arising from rollover as part of the Group's treasury management activities.

31 Sale of subsidiary undertakings

	Global Marine business 2000 £m	Other 2000 £m	Total 2000 £m
Consideration received			
Cash	450	18	468
Overdraft assumed	73	–	73
	523	18	541
Fixed assets sold	(191)	–	(191)
Net current assets sold	(9)	(9)	(18)
Goodwill previously written off to reserves	(22)	(39)	(61)
Profit on disposal	301	(30)	271

32 Acquisitions

The following major acquisitions were made by the Group in the year:

On 15 June 1999 the Group acquired a further 80% of Cable & Wireless IDC (formerly International Digital Communications) Inc. for cash consideration of Yen 55.2bn (£288m). This increased the Group's holding in IDC to 97.7%.

Prior to becoming a subsidiary undertaking, Cable & Wireless IDC was accounted for as an associated undertaking. In accordance with FRS 2 – 'Accounting for Subsidiary Undertakings', and in order to give a true and fair view, purchased goodwill has been calculated as the sum of the goodwill arising on each purchase of shares in Cable & Wireless IDC, being the difference at the date of each purchase between the fair value of the consideration given and the fair value of the identifiable assets and liabilities attributable to the interest purchased. This represents a departure from the statutory method, under which goodwill is calculated as the difference between cost and fair value on the date that Cable & Wireless IDC became a subsidiary undertaking. The statutory method would not give a true and fair view because it would result in the Group's share of Cable & Wireless IDC retained reserves, during the period that it was an associated undertaking, being recharacterised as goodwill. The effect of this departure is to increase retained profits, and purchased goodwill, by £6m.

During the year the Group acquired 11 European Internet Service Providers (ISPs) for a total consideration of £310m. These comprised Internet Network Services Ltd (UK), PISE (Sweden), Xpoint (Austria), online internet (Belgium), ISDnet (France), UNIDATA and DSLogic-DSNet (Italy), grupo INTERCOM (Spain), agri.ch, Petrel Communications and E-Media (Switzerland).

32 Acquisitions continued

These have been accounted for using acquisition accounting principles and goodwill arising has been capitalised within fixed assets. Details of the book value and the fair value of the assets and liabilities at the dates of acquisition, after making the necessary adjustments, are summarised in the tables below:

	Adjustments			Fair values £m
	Book values £m	Revaluations £m	Aligning accounting policies £m	
Cable & Wireless IDC				
Tangible fixed assets	313	(81)	—	232
Investments	8	—	—	8
Debtors	92	—	(7)	85
Cash	26	—	—	26
Other creditors	(264)	—	(15)	(279)
Provisions	(9)	—	(4)	(13)
Separable net assets acquired	166	(81)	(26)	59

Provisional revaluation adjustments principally reflect the reduction in the value of submarine cables and telephone rights to fair value. Provisional accounting policy alignments principally include adjustments for pension and deferred tax liabilities and finance lease obligations.

	Book values £m	Revaluation adjustments £m	Fair values £m
European ISPs			
Tangible fixed assets	15	(10)	5
Intangible assets	4	(4)	—
Stocks	1	—	1
Debtors	30	(15)	15
Cash	1	—	1
Borrowings	(5)	—	(5)
Other creditors	(41)	(6)	(47)
Provisions	(1)	—	(1)
Separable net assets/(liabilities) acquired	4	(35)	(31)

Provisional adjustments have been made to reduce the value of indefeasible rights of use of cables and various intangible assets to fair value, to reduce debtors to recoverable amount and to accrue for unrecorded liabilities.

Notes to the Accounts continued

32 Acquisitions continued

Fair value of consideration

The fair value of the consideration given for the Group's major acquisitions during the year and the goodwill arising on those acquisitions is summarised in the table below:

	C&W IDC £m	European ISPs £m	Other £m	Total £m
Consideration given				
Cash	288	226	19	533
Shares subscribed in a subsidiary undertaking	–	–	113	113
Acquisition costs	3	13	–	16
Deferred consideration	–	71	–	71
Non-cash consideration	–	–	5	5
	291	310	137	738
Cash acquired	(26)	(1)	–	(27)
Other net (assets)/liabilities acquired	(33)	32	(3,611)	(3,612)
Net assets previously held	10	–	1,944	1,954
Minority interest	1	–	1,643	1,644
Goodwill arising	243	341	113	697

The deferred consideration is contingent upon the performance of the acquired businesses over the next two years. The maximum consideration payable is £91m and the minimum is £3m.

In the cash flow statement, purchase of shareholdings in subsidiary undertakings includes amounts received from the vendor in full and final settlement of the disputes resulting from the US internet business acquisition.

Contributions to the cash flow from acquisitions during the year were as follows: net cash outflows from operating activities £13m, outflows on returns on investments and servicing of finance £3m, taxation £nil, capital expenditure £39m and net financing inflows of £28m.

33 Related party transactions

Transactions with associates and joint ventures

All transactions with associates and joint ventures arise in the normal course of business. The aggregate transactions recorded by the Group with associates and joint ventures, which are considered to be material and which have not been disclosed elsewhere in the financial statements, are summarised below:

For the year ended 31 March	2000 £m	1999 £m
Turnover	51	77
Outpayments	13	134
Other operating expenses payable	–	13
Management fees received and receivable	–	6
Interest received and receivable	2	10
Dividends received	24	18
Purchase of fixed assets	75	–

Loans to associates and joint ventures, amounts owed by associates and joint ventures and owed to associates and joint ventures are set out in notes 16, 18 and 20 respectively.

The Group has guaranteed bank loans of £nil (1999 – £1m) held by associates and joint ventures. Guarantee fees charged by the Group are included as part of the management fees receivable from associates and joint ventures. Management fees also include the provision of technical support services, including the cost of employee secondments to associates and joint ventures.

Transactions with Directors

There were no material transactions with Directors, except for those relating to remuneration and shareholdings disclosed in the Directors' Report on pages 31 to 36.

Principal Subsidiary Undertakings, Associates and Joint Ventures and Trade Investments

At 31 March 2000

Subsidiaries	Issued share capital m	Ownership		Class of shares	Country of incorporation	Area of operation
		Direct	Via subsidiaries			
Cable & Wireless Communications plc†	£ 746	47%	6%	Ordinary	Great Britain	United Kingdom
Cable & Wireless HKT (formerly Hong Kong Telecommunications) Limited	HK\$ 5,979	—	54%	Ordinary	Hong Kong	Hong Kong
Cable & Wireless HKT International (formerly Hong Kong Telecom International) Limited	HK\$ 900	—	54%	Ordinary	Hong Kong	Hong Kong
Cable & Wireless HKT Telephone (formerly Hong Kong Telephone Company) Limited	HK\$ 2,164	—	54%	Ordinary	Hong Kong	Hong Kong
Cable & Wireless Optus Limited	Aus\$ 5,306	—	53%	Ordinary	Australia	Australia
Cable & Wireless USA, Inc	US\$ —	—	100%	Ordinary	USA	USA
Cable & Wireless Jamaica Limited	J\$ 9,271	—	82%	Ordinary	Jamaica	Jamaica
Cable & Wireless (Cayman Islands) Limited	Cay\$ 1	—	100%	Ordinary	Cayman Islands	Cayman Islands
Cable & Wireless Panama SA**	Balboa 490	—	49%	Ordinary	Panama	Panama
Companhia de Telecomunicacoes de Macau S.A.R.L.	Pataca 150	51%	—	Ordinary	Macau	Macau
Cable & Wireless Global Markets Limited	£ —	—	100%	Ordinary	Rep. of Ireland	World-wide
Cable & Wireless IDC (formerly International Digital Communications) Inc.	Yen 31,200	98%	—	Ordinary	Japan	Japan
Internet Network Services Limited	£ —	100%	—	Ordinary	Great Britain	UK
Associates						
Bahrain Telecommunications Company B.S.C.*	Dinar 1,000	20%	—	Ordinary	Bahrain	Bahrain
Eastern Telecommunications Philippines, Inc.†*	P. Peso 200	40%	—	Ordinary	Philippines	Philippines
Joint ventures						
Gemini Submarine Cable System Limited†	US\$ —	50%	—	Ordinary	Bermuda	World-wide
Telecommunication Services of Trinidad and Tobago Limited†	T\$ 283	—	49%	Ordinary	Trinidad and Tobago	Trinidad and Tobago
MobileOne (Asia) Pte Ltd	Singapore \$ 140	—	30%	Ordinary	Singapore	Singapore

Notes

Full details of all subsidiary undertakings, associates and joint ventures and trade investments will be attached to the Company's Annual Return, to be filed with the Registrar of Companies.

* These companies had a financial year end of 31 December 1999 due to the requirements of the shareholders' agreements.

** The Group regards this company as a subsidiary because it controls the majority of the Boards of Directors through a shareholders' agreement.

† These companies are audited by firms other than KPMG International member firms.

Additional Information for US Investors

US listing

The Company's Ordinary Shares are listed on the New York Stock Exchange in the form of American Depositary Receipts (ADRs) and traded under the symbol CWP. Each ADR represents three Ordinary Shares. The ADR programme is administered on behalf of the Company by Citibank N.A., 111 Wall Street, New York, New York 10043, USA. Telephone 001-800-422-2066 Fax: 001-212-825-5398 and enquiries relating to the ADRs and dividend payments should be addressed to them.

Other enquiries regarding the Company should be addressed to John Stuart, Vice President Investor Relations, Cable & Wireless USA, 35th Floor, 777 Third Avenue, New York, New York 10017, USA.

The Company is subject to the regulations of the Securities and Exchange Commission as they apply to foreign companies and will file its annual report on Form 20-F and other information as required on or before 30 September 2000. When filed, a copy of the Form 20-F will be available on the Company's website.

Dividends to ADR holders

Payment of the dividend to ADR holders will be made by Citibank N.A., on 11 September 2000 to holders of record on 21 July 2000. The ADRs are expected to trade ex-dividend on the New York Stock Exchange from 17 July 2000.

From 6 April 1999 changes to the UK system of taxation reduced the tax credit attaching to dividends paid by the Company. The effect of withholding tax on the total of the dividend plus reduced tax credit means that a resident of the USA is no longer entitled to the payment of a tax credit by the United Kingdom tax authorities in respect of dividends paid from 6 April 1999.

The recommended final dividend of 10.5 pence per Ordinary Share is 31.5 pence per ADR. This makes a total dividend for the year of 45.0 pence per ADR.

The actual rate of exchange used in determining the dollar payment to ADR holders will be the exchange rate on 1 September 2000.

Basis of preparation

The Group prepares its consolidated accounts in accordance with generally accepted accounting principles (GAAP) in the United Kingdom which differ in certain material respects from US GAAP. The significant differences relate principally to the following items and the adjustments necessary to restate net income and shareholders' equity in accordance with US GAAP are shown below.

Goodwill

Under UK GAAP goodwill arising on acquisition prior to 1 April 1998 was eliminated directly against reserves. Amounts are transferred from reserves and charged through the profit and loss account when the related investments are sold or written down as a result of an impairment. Under US GAAP goodwill is capitalised and amortised by charges against income over the period, not exceeding 40 years, over which the benefit arises. For US GAAP goodwill has been amortised by the Group over periods varying between 5 and 40 years.

Under UK GAAP the profit or loss on the disposal of all or part of a previously acquired business is calculated after taking account of the gross amount of any goodwill previously eliminated directly against reserves and not already charged to profit. Under US GAAP an adjustment to profit or loss on disposal is required in respect of the unamortised portion of goodwill.

Under UK GAAP, following the adoption of FRS 10 – 'Goodwill and Intangible Assets', goodwill arising after 31 March 1998 is capitalised and amortised through the profit and loss account over periods considered acceptable under US GAAP.

Under US GAAP certain elements of UK GAAP goodwill are required to be classified as other intangible assets, which are also capitalised and amortised over their useful economic lives.

Customer acquisition costs

Under UK GAAP customer acquisition costs are written off over the expected customer life. Under US GAAP customer acquisition costs are written off over the initial contract period.

Partial depreciation

Under UK GAAP new network fixed assets are depreciated based on the number of subscribers using the new network compared with pre-determined targets during a pre-maturity period of up to five years. Under US GAAP pre-maturity periods can only be applied where the criteria set out in SFAS 51 – 'Financial Reporting by Cable Television Companies' are met and generally these periods cannot exceed two years.

Equity accounting

Under UK GAAP the Group ceases to equity account for investments when it no longer exercises significant influence over their financial and operating policies. Under US GAAP, the ability to exercise significant influence over the investee enterprise is presumed to exist for investments of 20% or more and therefore equity accounting is required to the date of disposal.

Capitalisation of interest

Under UK GAAP the capitalisation of interest is not required, but the Group does capitalise gross interest incurred in relation to separately identifiable major capital projects. US GAAP requires that gross interest cost should be capitalised on all qualifying assets during the time required to prepare them for their intended use.

Deferred tax

Under UK GAAP a provision is made for deferred taxation only when there is a reasonable probability that the liability will arise in the foreseeable future. US GAAP requires full provision for deferred income taxes under the liability method on all temporary differences and, if required, a valuation allowance is established to reduce gross deferred tax assets to the amount which is more likely than not to be realised.

Marketable securities

Under UK GAAP investments in marketable securities are recorded at historic cost less provision for impairments in value. Under US GAAP investments classified as available for sale are reported at fair value, with unrealised gains or losses reported as a separate component of shareholders' equity.

Pension costs

Under UK GAAP the expected cost of pensions is charged to the profit and loss account so as to spread the cost of pensions over the expected service lives of employees. Surpluses arising from actuarial valuations are similarly spread. Under US GAAP costs and surpluses are similarly spread but based on prescribed actuarial assumptions, which differ in certain respects from those used for UK GAAP.

ESOP shares

Under UK GAAP ESOP shares are carried as fixed asset trade investments. Under US GAAP ESOP shares are treated as a reduction of shareholders' equity.

Cumulative exchange differences on sale of foreign fixed asset investments

Under UK GAAP exchange gains and losses on the retranslation of the net assets and results of foreign subsidiary and associated undertakings and joint ventures are recognised in the statement of total recognised gains and losses as incurred, and are therefore excluded from the gain or loss arising on subsequent sale or liquidation. Under US GAAP the exchange gains and losses are accumulated as a separate component of shareholders' equity and included in the gain or loss on sale or liquidation.

Ordinary dividends

Under UK GAAP dividends proposed after the end of an accounting period in respect of that accounting period are deducted in arriving at retained earnings for that period. Under US GAAP such dividends are not deducted until formally approved.

Capacity sales

Under US GAAP capacity sales entered into after 30 June 1999 are required to be accounted for as operating leases unless title under the lease is transferred to the lessee. Under UK GAAP the transfer of title is only one of the factors taken into account when determining the accounting treatment.

Impairment

Under UK GAAP where an impairment indicator is identified the carrying value of the income generating unit is compared with its recoverable amount. Where the recoverable amount is less than the carrying value an impairment is recognised.

Under US GAAP an impairment charge is prohibited where the undiscounted expected future cash flows exceed the carrying value of the related assets.



Reconciliations

The effects of these different accounting principles are as follows:

	2000 US\$m	2000 £m	1999 £m
Net income			
Net income as reported under UK GAAP	5,921	3,724	908
US GAAP adjustments:			
Amortisation of goodwill and other intangible assets	(423)	(266)	(158)
Goodwill previously written off in respect of sale of investments	–	–	6
Customer acquisition costs	(3)	(2)	(16)
Partial depreciation	(14)	(9)	(11)
Equity accounting	84	53	(53)
Capitalisation of interest	(16)	(10)	(11)
Deferred tax – full provision	60	38	44
– tax effect of other US GAAP reconciling items	(75)	(47)	(5)
Pension costs	(13)	(8)	21
Cumulative exchange gain on sale of foreign fixed asset investments	22	14	(37)
Capacity sales	(135)	(85)	–
Impairment	374	235	–
Other	(30)	(19)	(38)
Minority interests	(127)	(80)	20
Net income under US GAAP	5,625	3,538	670
Earnings per share under US GAAP – Basic	\$2.32	145.9p	28.2p
– Diluted	\$2.28	143.2p	27.7p
Earnings per ADR under US GAAP* – Basic	\$6.96	437.7p	84.6p
– Diluted	\$6.84	429.6p	83.1p

	2000 US\$m	2000 £m	1999 £m
Shareholders' equity			
Shareholders' equity as reported under UK GAAP	12,873	8,096	4,571
US GAAP adjustments:			
Goodwill and other intangible assets	3,309	2,081	2,396
Customer acquisition costs	(113)	(71)	(48)
Partial depreciation	(138)	(87)	(61)
Equity accounting	–	–	(53)
Capitalisation of interest	286	180	190
Deferred tax – full provision	(1,394)	(877)	(924)
– tax effect of other US GAAP reconciling items	(196)	(123)	(125)
Unrealised gains on marketable securities	32	20	153
Pension costs	(3)	(2)	6
ESOP shares	(37)	(23)	(17)
Proposed final dividend	407	256	227
Capacity sales	(132)	(83)	–
Impairment	380	239	–
Other	(14)	(9)	(61)
Minority interests	386	243	370
Shareholders' equity under US GAAP	15,646	9,840	6,624

* Computed on the basis that one ADR represents three Ordinary Shares.

An exchange rate of US\$1.59 has been used to translate £ to US\$. Such translations are for convenience only and should not be construed as representations that the £ amounts have been converted into US\$ at that or any other rate.

Under US GAAP adjustments have been made to the fair value of the separable net assets of the businesses acquired, resulting in an adjustment to goodwill of £3.4m.

Five Year Record

For the year ended 31 March

	1996 £m	1997 £m	1998 £m	1999 £m	2000 £m
Group turnover (excluding share of associates and joint ventures)	5,517	6,050	7,001	7,944	9,201
Operating profit before exceptional items (excluding share of associates and joint ventures)	1,311	1,538	1,651	1,602	1,020
Exceptional item: (charged)/credited to operating profit	–	–	(250)	46	(1,370)
Group operating profit/(loss)	1,311	1,538	1,401	1,648	(350)
Other exceptional items	79	–	837	198	4,452
Profit before taxation	1,341	1,418	2,184	1,822	4,024
Profit after taxation	1,021	1,131	1,940	1,463	3,574
Minority interests	414	454	652	555	(150)
Profit for the financial year	607	677	1,288	908	3,724
Assets	9,020	9,669	12,915	17,487	21,528
Liabilities	4,301	4,358	7,402	9,490	10,403
Equity shareholders' funds	3,259	3,749	2,964	4,571	8,096
Earnings per share	27.5p	30.3p	56.8p	38.2p	153.6p
Earnings per share before exceptional items and amortisation	26.4p	30.3p	32.3p	33.9p	19.4p
Diluted earnings per share	26.7p	29.5p	55.6p	37.5p	150.9p
Dividends per share	10.00p	11.10p	12.25p	13.50p	15.00p

Shareholders' Information

Registrar

The Company's share register is administered by Lloyds TSB Registrars. All queries about your shareholding should be addressed to Lloyds TSB Registrars, The Causeway, Worthing, West Sussex, BN99 6DA (Telephone – 0870 600 3975).

Shareholders can view up to date information about their own shareholding by viewing "Shareview" (www.shareview.co.uk).

Dividend Reinvestment Plan

The Company operates a Dividend Reinvestment Plan (DRIP) where cash dividends are reinvested in additional shares in the Company. Details on the DRIP are obtainable from the Registrar at the address above.

Individual Savings Account

A Cable & Wireless Individual Savings Account (ISA) for investing in the Company's Ordinary Shares has been established with HSBC Trust Company (UK) Ltd. Details can be obtained from the Helpline Service on 01273 363050.

Low Cost Share Dealing Service

A Cable & Wireless Low Cost Share Dealing Service is operated by Cazenove & Co. Details can be obtained by calling 020 7606 1768.

Financial Calendar

Preliminary announcement of results	17 May 2000
AGM	7 July 2000
Ex dividend date	17 July 2000
Record date	21 July 2000
Deadline for DRIP mandate forms	10 August 2000
Final dividend paid	1 September 2000
Final dividend paid (ADR holders)	11 September 2000
Announcement of interim results	15 November 2000

Company Secretary and Registered Office

Mr Ken Claydon is the Company Secretary. The Company's Registered Office is 124 Theobalds Road, London, WC1X 8RX (Telephone – 020 7315 4000).

Holders of American Depositary Receipts

Details on the Company's ADR programme can be obtained from Citibank N.A., 111 Wall Street, New York, New York 10043, USA (Telephone – 001 800 422 2066).

Distribution and classification of ordinary shareholdings

At 31 March 2000	Number of accounts	Percentage of total	Number of shares	Percentage of total
Up to 1,000	112,749	62.58	56,114,344	2.30
1,001 – 5,000	58,044	32.21	116,332,816	4.77
5,001 – 100,000	8,145	4.52	120,601,076	4.94
100,001 – 1,000,000	931	0.52	298,791,083	12.24
1,000,001 and over	308	0.17	1,848,381,439	75.75
	180,177	100.00	2,440,220,758	100.00
Individuals	125,029	69.39	150,062,726	6.15
Corporate bodies	5,893	3.27	67,157,850	2.76
Banks/nominee companies	49,173	27.30	2,164,614,496	88.70
Insurance companies/pension funds	82	0.04	58,385,686	2.39
	180,177	100.00	2,440,220,758	100.00

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